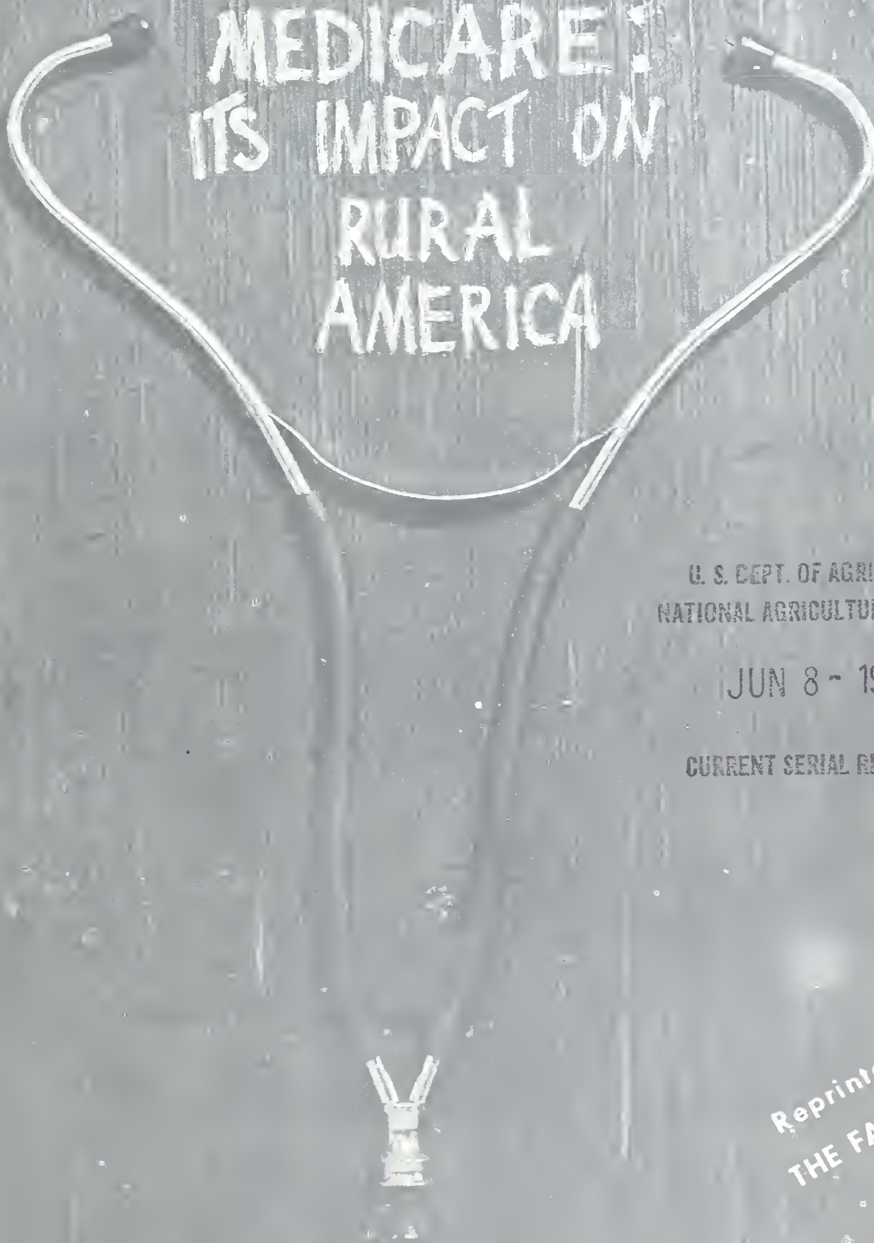
THE FARM INDEX

ECONOMIC RESEARCH SERVICE • U.S. DEPARTMENT OF AGRICULTURE • DECEMBER 1965



Reprinted from
THE FARM INDEX
ERS-272

also in this issue:

MECHANICAL GRAIN DRYERS:
A BUYER'S GUIDE

FORMULA FOR FEED MAKERS:
BUY BULK

SOCIAL SECURITY TAX RATES WON'T INCREASE MUCH MORE WITH MEDICARE

Calendar year	Self-employed farmers: Before 1965 amendments, OASDI [2] only	Self-employed farmers: Under 1965 amendments: OASDI	Self-employed farmers: Under 1965 amendments: Basic hospital	Self-employed farmers: Under 1965 amendments: Total	Farm wage workers [1]: Before 1965 amendments, OASDI only	Farm wage workers [1]: Under 1965 amendments: OASDI	Farm wage workers [1]: Under 1965 amendments: Basic hospital	Farm wage workers [1]: Under 1965 amendments: Total
	Per cent of taxable income				Per cent of taxable income			
1965	5.4	5.4	—	5.40	3.625	3.625	—	3.625
1966	6.2	5.8	0.35	6.15	4.125	3.85	0.35	4.20
1967	6.2	5.9	0.50	6.40	4.125	3.90	0.50	4.40
1968	6.9	5.9	0.50	6.40	4.625	3.90	0.50	4.40
1969-72	6.9	6.6	0.50	7.10	4.625	4.40	0.50	4.90
1973-75	6.9	7.0	0.55	7.55	4.625	4.85	0.55	5.40
1976-79	6.9	7.0	0.60	7.60	4.625	4.85	0.60	5.45
1980-86	6.9	7.0	0.70	7.70	4.625	4.85	0.70	5.55
1987 and later	6.9	7.0	0.80	7.80	4.625	4.85	0.80	5.65

[1] Employer and employee contribution are the same. [2] Old Age, Survivors, and Disability Insurance.

The Social Security Amendments of 1965 liberalize benefits for retired people, disabled workers, widows and students. Perhaps most important to most people are the hospital and medical plans that make up Medicare.

MEDICARE: ITS IMPACT ON RURAL AMERICA

Farm families and other rural residents, perhaps more than any other group in the nation, stand to benefit from Medicare.

First, rural Americans will benefit more than most because a larger percentage of them are older than city residents. Today some 2.5 million farm people, 19 per cent of the total 13 million farm population, are either 65 or older or in the 55-64 age group that will qualify for Medicare within 10 years. Another 7.5 million people in these two age groups live in rural areas but don't farm.

Second, rural Americans will benefit more than most because fewer of them have private health insurance. It's estimated that only 41 per cent of all farmers and only 47 per cent of nonfarm rural residents over 65 now have private health coverage. In cities some 58 per cent of all people in this older age group are covered. The difference is probably due to the ease with which urban workers can get group health insurance where they are employed.

Medicare is a two-part program: (1) hospital insurance coverage for virtually every American upon reaching 65 whether or not he is eligible for social security benefits or railroad retirement; and (2) voluntary medical insurance for virtually everyone 65 or over who signs up for it to help defray doctors' bills and other medical costs.

Employees of the federal government who are covered under the Federal Employees Health Benefits Program are ineligible for the hospital insurance.

In a new report on this year's changes in the Social Security Act, ERS specialists outline what Medicare will and will not do. They point out that it's a milestone in the nation's social evolution, but it doesn't provide entirely free medical care. Hospital, doctor and other medical fees are *not* paid in full.

The plans don't become effective until July 1, 1966. Rural families are urged to retain private insurance at least until then. They may also want to continue private coverage indefinitely to supplement Medicare.

Hospital insurance. Medicare's hospital insurance is automatic for all persons 65 or over who are getting social security or railroad retirement. It will be financed by increased social security taxes.

For those persons 65 or over not covered by social security or railroad retirement, the program will be financed from the federal treasury.

Under the hospital plan, the patient will pay the first $40 of costs in a participating hospital for any *spell of illness.* Medicare will pay all other costs of covered services for 60 days during the spell of illness. For an additional 30 days the patient will pay $10 a day, Medicare paying for all other costs of covered services.

Thus, a person 65 or older who spends two weeks in a hospital after July 1, 1966, could usually expect to pay only $40 of the hospital costs; a 70-day stay would

cost him $140. (These estimates could be a little higher if he received some services which were not covered.)

A *spell of illness* begins on the first day the patient enters a participating hospital or a qualified nursing home and ends when he has not been a patient in a hospital or nursing home for 60 consecutive days.

The plan also provides for hospital diagnostic services over any 20-day period for patients not actually confined to a hospital. The patient will pay the first $20 for each such 20-day period, Medicare 80 per cent of the remaining costs.

After a three-day stay or longer in a hospital or after a stay in a participating nursing home, the patient will be entitled under the plan to up to 100 home health care visits during the one-year period beginning with his discharge. These services will include intermittent nursing care, therapy and services of a home health aide on a part-time basis.

Beginning January 1, 1967, Medicare's hospital insurance will also provide for extended care in a qualified nursing home or similar facility. The plan will pay for the first 20 days in a nursing home (following a three-day or longer hospital stay). For another 80 days the patient will pay $5 a day, Medicare the remaining costs for covered services.

Doctor and medical coverage. Under this voluntary plan, the insured person will pay $3 a month beginning July 1, 1966. For each person who enrolls, the federal government will match his $3 payment with a like amount.

The patient will pay the first $50 each year for doctors' bills or other covered services. Medicare will then pay 80 per cent of the reasonable charges for all other covered services for the remainder of the year.

Thus, after an illness a retired farmer, age 65 or older, might have a bill for doctor and other medical services of $260. The retiree would pay only $92; that is, the first $50 of annual expenses plus $42 or 20 per cent of expenses over $50. Of course, once the first $50 is paid, Medicare will take care of 80 per cent of all subsequent expenses for covered services during the year.

In addition to doctors' and surgeons' charges, covered services include such things as X-rays, oxygen tents, some ambulance service, an additional 100 home health visits without prior hospitalization, and treatment of mental and psychoneurotic disorders outside a hospital.

How to qualify. If you are 65 or over, or will be before January 1, 1966, you will not have to go to your social security office if:

—You are getting social security or railroad retirement benefits.

—You are receiving public assistance payments.

You will be enrolled automatically in the hospital insurance program. You will be notified by mail before December 15 as to how to apply for the voluntary medical insurance for doctors' and related medical costs.

If you will be 65 or over before January 1, 1966, go to your local social security office if:

—You have worked under social security but never applied for benefits.

—You have never worked under social security.

If you will be 65 on or after January 1, 1966, you may enroll in the voluntary medical insurance program during the seven-month period beginning three months *before* the month of your 65th birthday and ending three months *after* that month. However, to be covered for the month you are 65, you *must* enroll *before* the month you are 65.

Use the rules above to determine whether you should visit the social security district office.

Coverage under both plans begins on July 1, 1966. (*7*)

Other Changes

Aside from Medicare, the 1965 amendments to the Social Security Act include several other provisions that will benefit rural people:

Higher retirement payments. There is a 7 per cent increase in monthly retirement payments retroactive to January 1965. Minimum monthly payments go up from $40 to $44 for people 65 or older when they retire. Maximum benefits payable to a family rise from $254 to $309.

Benefits for uninsured elderly people. Some people over 72 with less than six quarters of social security coverage haven't been eligible for retirement benefits in the past. Under the 1965 amendments, many can now get a basic benefit of $35 a month.

Benefits for disabled workers. Until this year disabled workers, including farmers, couldn't get benefits unless their illness or injury was expected to last for an indefinite period or to result in death. Now they may be entitled to payments after six months if their disability has lasted or is expected to last a year or longer.

Higher earned income exemption. Starting in 1966 farmers and other retirees can earn $1,500 each year, compared with $1,200 previously, and still keep all of their social security benefits. And there's a more liberal allowance for earned income over $1,500.

Optional way to figure farm income. For the 1965 tax year, farmers with gross incomes of $600 to $1,800 can report and get social security credit for two-thirds of their gross income (up to $1,800) even if they do not have a net profit for the year. For tax years beginning after January 1, 1966, a farmer will be able to report two-thirds of his gross income (up to $2,400) for social security purposes. This provision, which applies only to self-employed farmers, entitles a farmer to maintain his social security protection at a higher level than would be possible if he could not get any social security credit for years in which he has a net loss or little profit.

Widows' benefits. Widows of insured workers may now get benefits at age 60 if they accept a reduced monthly benefit. (*8*)

Reprinted from
THE FARM INDEX
Office of Management Services
U. S. Department of Agriculture
Washington, D. C. 20250